



Retail Partner Programs

1995 Retail Merchandising 1995 Retail Co-Marketing





Retail Partners Program **Background**

- The cigarette industry has changed dramatically over the past few years:
 - Price rollback
 - Competitive retail programs
 - B&W/ATC merger
- RJR's and retail trade needs have also changed:
 - Link trade programs
 - » Retail Merchandising
 - » Retail Co-Marketing
 - » Distributor Programs
 - Improve quality of retail presence
 - Reward retail trade for supporting RJR strategic brands
 - Construct strong foundation for future growth of category





Retail Partners Program **Strategic Direction**

- RJR's Objectives are fully integrated with our Retail Trade Customers' needs.
- RJR will work to do what is best for RJRT, our Retail Trade Partners, and our mutual consumers, versus simply following competition.
- RJR fully understands and anticipates change in the retail environment to be on the leading edge of new strategies, services, programs and technology to meet or exceed expectations of our retail customers.
- RJR is best positioned to serve as the "Category Advisor", supporting business partnerships which will drive consumer impact and responsiveness.
- Reinforces RJR's approach of "Working For Smokers".





• Merchandising

- Shift to performance based merchandising -- RJR volume.
- Linkage to marketing objectives at retail -- 2 full price feature displays and 1 savings.
- Increase quality of retail presence.

• Co-Marketing

- Co-Marketing Funds used offensively / defensively -- expanded universe.
- Co-Marketing Funds -- Greater impact / Point of difference.
- Co-Marketing Funds -- Linked to merchandising and RJR volume.

• Program Management

- Partnership approach to retail needs / priorities.
- Field sales flexibility -- decentralized trade support.
- Improved efficiencies and targeting for long-term growth.





1995 Merchandising Program - Pack Outlets

Program Comparison

Old Program

New Program

Industry Volume based

Volume ranges

- Broad
- Capped near trade average

Base requirements

- 1 Full Price display
- 1 Savings display
- Enhanced sign

Minimal additional signage requirement

Enhancement option - Payment flexibility

Component (stand alone) option

Minimum Volume requirement

- 76 Industry CPW

RJR Volume - Pay for performance

Volume ranges

- Multiple
- Competitive in high volume accounts

Base requirements

- 2 Full Price display
- 1 Savings display

Share of signage equal to RJR SOM

Enhancement option - Payment flexibility

Component (stand alone) option -

Payment flexibility

Minimum Volume requirement

- 100 Industry CPW
- 17 RJR CPW





1995 Merchandising Program Requirements **Pack Outlets**

- RJR Full Price Display in Primary Position
- RJR Full Price Display is in a 2nd, 3rd, or 4th Full Price Position
- RJR Savings Brand Display in a Primary Savings Position
- Display RJR "Lowest" brands, if applicable
- Provide RJR accurate volume information. Authorize primary and other suppliers to release brand style volume information to RJR.
- Provide RJR share of available signage (excluding signage on fixtures / displays) equal to RJR share of market.





1995 Merchandising Program Requirements Pack Outlets (continued)

- Provide RJR share of space equal to RJR share of market on carton merchandisers, if applicable. Minimum acceptable space as determined by an RJR Representative.
- Ensure RJR brands are represented in all price tiers as required.
- Ensure adequate quantity of RJR brands are maintained to minimize out of stock, including brands designated for display.
- Provide RJR equal opportunity to place temporary promotional displays and signage, as requested.
- Accept new RJR brand styles as requested by RJR Representative.
- RJR reserves the right for final approval of display / advertising sizes and locations.





1995 Merchandising Program - Carton Outlets

Program Comparison

<u>Old Program</u>

New Program

Payment based on size of merchandiser

- Rows
- Pack capacity

Volume ranges

- Broad
- Capped near trade average

Base requirements

- Pack Merchandiser
- Carton Merchandiser

Enhancement option - Payment flexibility

Component (stand alone) option

Minimum Volume requirement

- 225 Industry CPW

Volume ranges

- Multiple
- Competitive in high volume accounts

RJR Volume - Pay for performance

Base requirements

- Pack Merchandiser
- Position of Cartons
- Share of space equal to RJR SOM

Enhancement option - Payment flexibility

Component (stand alone) option - Payment flexibility

Minimum Volume requirement

- 225 Industry CPW
- 70 RJR CPW



1995 Merchandising Program Requirements Carton Outlets

- RJR Package Merchandiser(s) in Primary Position.
- RJR brands on top shelves contiguous, meeting at least minimum space requirements.
- Advertising located above RJR brand positions on merchandising fixtures.





1995 Merchandising Program - Cigarette Outlets

Program Comparison Old Program New Program Industry Volume based RJR Volume - Pay for performance No Volume ranges - flat payment Volume ranges - Multiple - Competitive in high volume accounts Base requirements Base requirements - FP Pack and Carton - Expanded to include high impact displays - BS Pack and Carton and signage - Signage No Enhancement option No Enhancement option No Component option No Component option Minimum Volume requirement Minimum Volume requirement - 500 Industry CPW 35.3k - 141 RJR CPW





1995 Merchandising Program Requirements **Cigarette Outlets**

- RJR Full Price Pack display/merchandiser in primary position
- RJR Savings brand pack display/merchandiser in primary position
- Parity representation for displays at register (selling area), Full Price and Savings brands.
- "Feature" Savings Center in a primary savings position
- Other Savings Center, if applicable
- Full Price Carton merchandiser(s) RJR Brands
- Dedicated promotional space for RJR brands, Pack and Carton
- Indoor and Outdoor "high impact" signage





1995 Co-Marketing Promotion Accrual Program

Applies to both Pack and Carton Outlet Co-Marketers

Co-Marketing Partnership Definition

Total Category Partner

Merchandising Partner

RJR Base Merchandising Elements

RJR Base Merchandising Elements

RJR Everyday Lowest Price in all applicable Price Tiers * (RJR may not be disadvantaged)

No RJR EDLP in all applicable Price Tiers *

Maximum per carton rate

Lower per carton rate

Premium Menu Option (RJR discretion)

No Premium Menu Option

Co-Marketing Base and Match options

Co-Marketing Match option only

* EDLP determined on a non-promoted basis





1995 Co-Marketing Promotion Accrual Program

Co-Marketing Program Changes

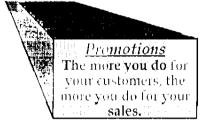
<u>Progra</u> <u>Old Program</u>	m Comparison New Program
Industry Volume Based	RJR Volume Based
Large volume categories	Small volume categories
EDLP Accounts Only	EDLP Accounts - Tot Category Partner Non-EDLP Accounts - Merch. Partner
Primarily Defensive Activity (Discounting)	Offensive & Defensive Activity Premium Menu - Total Category Partner
No carryover of unused funds	Funds carryover with RJR approval (not to subsequent years)
Same Rate applied to all participants	Rates differ on partnership level - Total Category Partner - Maximum rate - Merchandising Partner - Lower rate
No Mandated Match	Match required for Merchandising Partner
No Promotional Platform Requirement	Promotional Platform required for both Carton & Cigarette Outlets RIReunalds

The Co-Existence Strategy



Co-Existence is Best For the Retailer





Don't Sell Yourself Short!



Potential Merchandising Payments

Base Participation

Components

Advantage Position

Total Monthly Payments All Stores

Average Monthly Payments Per Store

Total Annual Payments / All Stores



Co-Marketing Accrual

RJR (Base) Retailer (Match)

RJR (Match)

Total Promo Value All Stores

Average Promo Value Per Store

Total Annual Promo Value / All Stores



Total Retail Partners Earnings Potential

Total Earnings - Monthly - All Stores

Total Earnings - Annual - All Stores





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We look forward to working with you as a partner to achieve success in meeting the needs of our consumers and cigarette category objectives in 1995.

Thank You!







Retail Partner Programs

1995 Retail Merchandising 1995 Retail Co-Marketing





Retail Partners Program **Background**

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Retail Partners Program Summary of Changes

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No Enhancement option	No Enhancement option	
No Component option	No Component option	
Minimum Volume requirement - 500 Industry CPW	Minimum Volume requirement 141 RJR CPW	





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Potential Merchandising Payments

Customer Name

Base Participation

Components

Advantage Position

\$0 Total Monthly Payments All Stores

Average Monthly Payments Per Store

Solution Solution Solution



Co-Marketing Accrual

Customer Name

RJR (Base)

Retailer (Match)

RJR (Match)

Total Promo Value All Stores

Average Promo Value Per Store

SO Total Annual Promo Value / All Stores



Total Retail Partners Earnings Potential

Customer Name

Total Earnings - Monthly - All Stores

\$0 Total Earnings - Annual - All Stores



RSReynolds Tobacco Company

Total RJR Partners Earnings Potential - <u>Direct Chains</u>

Customer Name

Total Annual Wholesale Earnings

Total Annual Retail Earnings - All Stores

\$0 TOTAL Wholesale & Retail





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